

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re: W.R. GRACE & CO., <i>et al.</i>, Debtors.	§ § § § § §	Chapter 11 Jointly Administered Case No. 01-01139 (JKF)
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**FEE AUDITOR'S FINAL REPORT REGARDING THIRTY-FOURTH¹ QUARTERLY
INTERIM FEE APPLICATION OF BLACKSTONE ADVISORY SERVICES L.P.
FOR THE PERIOD OF JULY 1, 2010 THROUGH SEPTEMBER 30, 2010**

This is the final report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Thirty-Fourth Quarterly Interim Fee Application of Blackstone Advisory Services L.P. for the Period of July 1, 2010 through September 30, 2010 (the "Application").

BACKGROUND

1. Blackstone Advisory Services L.P. ("Blackstone") was retained as financial advisor to the Debtors. Blackstone seeks approval of fees totaling \$175,000.00 and expenses totaling \$8,639.87 for its services from July 1, 2010 through September 30, 2010 (the "Application Period").

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time and expense entries included in the exhibits to the Application, for compliance with 11 U.S.C. § 330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of

¹This is Blackstone's thirty-fourth quarterly fee application, however, it covers the period of July through September 2010, which is actually the Thirty-Eighth Interim Period.

Delaware, Amended Effective February 1, 2011, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, Issued January 30, 1996 (the “U.S. Trustee Guidelines”), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals. Based on our review, we sent to Blackstone an e-mail inquiry, and received a response from Blackstone, portions of which response are quoted herein.

DISCUSSION

General Issues

3. We note for informational purposes that Blackstone professionals spent a total of 224.8 hours for which fees totaling \$175,000.00 are sought. Thus, Blackstone’s effective hourly rate for the Application Period is \$778.47.

Specific Expense Entries

4. Ordinarily, if a professional bills three or more hours on a case in one day, we do not object to the individual’s reimbursement request for an overtime meal or late night taxi home. However, we noted several overtime meal and transportation charges incurred on dates when it appeared that the professional in question billed minimal or no time to the case. See Exhibit “A.” We asked Blackstone to explain why the estate should reimburse these expenses, and Blackstone responded:

Blackstone agrees to withdraw its request for reimbursement of the transportation expenses - which total \$159.17.... Additionally, Blackstone agrees to withdraw its request for reimbursement of the meal expenses - which total \$348.29,...

We appreciate Blackstone’s response and recommend a reduction of \$507.46 in expenses.

5. We noted the following meal charge which appeared slightly excessive:

07/14/10 65.00 Lambert (1 working dinner meal while in Baltimore, MD)


We utilize a dinner guideline of \$55.00 for most locales, including Baltimore. In response to our inquiry, Blackstone agreed to reduce the meal charge by \$10.00. We appreciate Blackstone's response and recommend a reduction of \$10.00 in expenses.

CONCLUSION

6. Thus, we recommend approval of \$175,000.00 in fees and \$8,122.41 in expenses (\$8,639.87 minus \$517.46) for Blackstone's services for the Application Period.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.

By: 
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FEE AUDITOR

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served by First Class United States mail to the attached service list on this 3rd day of March, 2011.



Warren H. Smith

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EXHIBIT "A"**Late Night and Weekend Meals**

Description of Charge	Date	Amt	Hrs Billed
Pikula (weeknight working dinner meal @ Blackstone while working late)	04/19/10	25.00	0.00
Pikula (weeknight working dinner meal @ Blackstone while working late)	04/20/10	24.33	0.00
Pikula (weeknight working dinner meal @ Blackstone while working late)	04/22/10	7.24	0.00
Pikula (weekend working dinner meal @ Blackstone)	04/24/10	12.00	0.00
Pikula (weeknight working dinner meal @ Blackstone while working late)	05/03/10	23.34	1.00
Pikula (weeknight working dinner meal @ Blackstone while working late)	05/04/10	23.97	2.00
Pikula (weekend working lunch meal @ Blackstone)	05/29/10	8.97	0.00
Pikula (weeknight working dinner meal @ Blackstone while working late)	06/09/10	14.25	2.00
Wu (weeknight working dinner meal @ Blackstone while working late)	04/21/10	24.24	0.30
Wu (weeknight working dinner meal @ Blackstone while working late)	04/27/10	9.50	1.20
Wu (working dinner meal @ Blackstone on holiday)	05/31/10	22.42	0.00
Wu (weeknight working dinner meal @ Blackstone while working late)	06/08/10	23.72	0.00
Wu (weeknight working dinner meal @ Blackstone while working late)	06/10/10	21.07	2.00
Yamamoto (weeknight working dinner meal @ Blackstone while working late)	06/30/10	22.69	0.00
Kaufman (1 weeknight working dinner meal @ Blackstone while working late)	06/16/10	34.76	0.00
Lambert (1 weeknight working dinner meal @ Blackstone while working late)	06/24/10	20.79	0.00

O'Connell (1 weeknight working dinner meal @ Blackstone while working late)	05/27/10	30.00	1.50
		348.29	

Late Night and Weekend Transportation

Description of Charge	Date	Amt	Hrs Billed
Cutler (weeknight taxi home from Blackstone after working late)	06/18/10	7.00	0.0 hr
Pikula (weeknight taxi home from Blackstone after working late)	04/19/10	9.30	0.0 hr
Pikula (weeknight taxi home from Blackstone after working late)	04/20/10	8.70	0.0 hr
Pikula (weeknight taxi home from Blackstone after working late)	04/22/10	8.70	0.0 hr
Pikula (weekend taxi to Blackstone from home)	04/25/10	10.10	0.0 hr
Pikula (weekend taxi home from Blackstone)	04/25/10	8.25	0.0 hr
Pikula (weeknight taxi home from Blackstone after working late)	05/03/10	15.10	1.0 hr
Pikula (weeknight taxi home from Blackstone after working late)	05/04/10	15.00	2.0 hr
Pikula (weekend taxi home from Blackstone)	06/09/10* *not a weekend	8.70	2.0 hr
Pikula (weekend taxi to Blackstone from home)	06/12/10	10.00	0.00 hr
Pikula (weekend taxi home from Blackstone)	06/12/10	8.62	0.00 hr
Wu (weekend taxi home from Blackstone)	05/23/10	12.40	0.00 hr
Wu (weeknight taxi home from Blackstone after working late)	06/08/10	10.50	0.00 hr
Wu (weeknight taxi home from Blackstone after working late)	06/10/10	10.50	2.00 hr
Lambert (weeknight taxi home from Blackstone after working late)	06/24/10	16.30	0.00 hr
		159.17	